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REPORT

OF THE

COMMITTEE ON WAYS AND MEANS,

ON THE

FINANCES OF THE STATE.

REPORT.

The Committee on Ways and Means, who have had under consideration the finances of the State, beg leave to report:

In the communication of the Treasurer, made at the commencement of the present session, the means and liabilities of the State are fully presented. By his report it appears, that the ordinary revenue is estimated at the sum of $300,000, and after deducting the sum by which the Treasury was deficient on the first day of December past, and the cost of the present session of the General Assembly, that the sum of $140,525.07 will be left, applicable to the expenses of the current year. The demands on the Treasury for ordinary expenses, and for interest in arrear on the public debt, will amount, on the first day of January 1843, to the sum of $1,215,-483.67. This will be the sum due on that day including payments from ordinary revenue.

To meet this large demand, the only means provided by existing laws, are the proceeds of the tax, levied by authority of the act of March session of 1841, chapter 23. The utmost extent of revenue accruing from this source cannot be estimated at more than $400,000. The demands upon the Treasury for the payment of which the committee have been required to provide, amount to the sum of $815,483.67.

The finance committee of the House of Delegates of the past year, clearly perceiving the extent of the immediate demand on the Treasury, recommended measures, which however wisely designed, have proved ineffectual in the preservation of the public credit. The annual interest on the debt "bearing on the Treasury" amounts to the sum of $600,000.

The proceeds of the tax under the law above referred to cannot exceed $400,000; and will probably fall short of that sum. The property embraced within the scope of the tax bill passed by the last Legislature was estimated of $300,000,000. The Treasurer has assured the committee from the returns made to his department, from most of the counties, that the assessment in the State will not exceed $200,000,000. The tax of twenty cents in the hundred dollars, will give, (supposing it all collec-

ed) to meet outstanding demands, the sum of $400,000. It has devolved therefore upon the committee, to provide the revenue to make up a deficiency of $215,000 in the past year, and to pay the interest accruing on the State debt for the present year.

Their measures have been presented, and most of them have received the sanction of the House. Some few remain to be acted on, but it is believed, they will commend themselves to the favour of all, who have given to the condition of the finances of the State, even a slight consideration.

The deranged condition of the monetary affairs of the State, the *scarcity* of money receivable at the Treasury, and the consequent difficulties under which the tax payer labours to obtain the means to pay his public dues, were considerations which required, that no more burthens should be imposed upon him, than was his just share in the common cost. Government must be sustained by taxes, but a good system of Government requires they should fall equally upon all. Equal taxes bear on every member of society according to the value of the protection he receives from the laws.

By extending the basis of taxation, this principle has been carried out, and persons who have enjoyed a common share in the benefits, have been required to bear a common part in the expenses of the Government.

This period of general want and high taxes, was believed to present a suitable occasion to retrench unnecessary expenses in the Government. Salaries which encouraged luxury, and consequent neglect of public duty, have been reduced and sinecures erased from the official list. The committee present an estimate of the revenue gained and saved by the several bills they have submitted. It is however to be borne in mind, that whilst their measures of retrenchment leave in the Treasury a considerable sum in the current year, applicable to the debts and expenses of Government, their prospective operation is of much greater concern. In the ensuing year they will make a gain to that department of $45,000, if the retrenchment bills pass.

From the income tax bill, including the tax on ground rents, the revenue is estimated at $150,000, but that the estimate may not be too large, say -	$120,000
The increased duty on auction sales, though estimated to be good for much more, will yield a certain gain to the revenue of - - - -	20,000
The tax on brokers, - - - - -	40,000
Gain by retrenchment in 1842, - - -	10,000
Revenue from the tax on the class excluded by the tax bill of March session 1841, - - -	5,000
Tax on shows, theatres, stallions, &c. - -	5,000
on dogs, - - - - -	15,000
on plate and watches, - - -	30,000
on protests, bills, drafts, &c. - - -	5,000

The proceeds of the tax for 1842, levied by authority of the act of 1841, - - - - -	400,000
The total of revenue from these sources for the year ending on the 1st March 1843, will be - -	$650,000

And if to provide against the contingency of a failure of any of the items of revenue, an additional tax of five cents in the hundred dollars be laid on the assessed value of the property in the State, which will give $100,000, and will swell the revenue to the sum of $750,000, we may safely rely that the credit of the State will be revived, and her honor redeemed. But this resource, abundant as it must be eventually, is at present, and will be for some time, unavailing to meet accruing demands. It is impossible to make any tax immediately available; one year at least must elapse before it can be brought to full and complete collection.—The inquiry results, what is to be done in this condition of public affairs? Are we to remain longer discredited and dishonored? Have we no means by which the Treasury may be enabled to resume and maintain its payments? The report of the Treasurer leaves us at no loss for answer. We have bank stocks amounting to the sum of $513,000.

Means have to be raised to pay the interest due last year to the public creditors. Some of the Banks of the State, and some patriotic citizens, made advances to the Treasury to the amount of $415,000, that the public credit might be sustained. The committee have reported a bill by which the Banks which made advances to the amount of $381,198, may be satisfied. The residue must be paid or the public creditors will suffer. It is true these bank stocks pay a good interest to the Treasury. If we had a right to hold them for better prices, it would not be deemed good policy to sell them at a loss. Such however is not the case. In strict right they are not our own—we have the sovereign power to hold them, but of right they belong to the public creditor. If they can be so disposed, they should be passed to him at their just value; if not they should be sold, and paid to his just demand. It will not be answered to this reasonable and fair conclusion, "*these creditors are foreign bankers, brokers and shavers.*" If so, the answer is so much more to the shame of our government, and of those in whose hands are confided the administration of public affairs. If they were citizens, they could act on public opinion, and thereby on the persons who are placed in the councils of the State. But if he cannot enforce his unquestioned rights in our courts of law, nor gain a hearing at the ballot box from our public men, it takes off nothing from the shade of dishonor that attaches to broken faith, that the victim is remediless.

But it is not true that the creditors are of this class. Many of her own citizens have trusted to the faith of Maryland. Men in the decline of life; widows who have no protection, but in the law; orphans who have not strength to gain a livelihood

have their *all* entrusted in the promises which we have given them. It is not therefore to be considered, that our stocks may sell at a sacrifice. Such is the condition of the individual when his debts are bearing on him. It is too late then to estimate the sacrifice. If the government will not suffer the citizen to postpone the payment of his debts, is the government to perpetrate the wrong it prohibits to the citizen?

The committee are of opinion, that the present is not a time, when the policy of making sale of the bank stocks can be consulted. The policy of strict honesty is the same at all times—imperative, absolute, immutable.

When a debt is due, and the debtor has the means to pay, there is but one rule for individuals and for governments—payment, full payment by him who owes, to him who holds the obligation.

The demands now awaiting the resumption of payments by the Treasury, may be satisfied out of the first instalment of the direct tax, falling due on this day, and by the sales of Bank Stock. Believing it to be good policy, and strict justice, that such a measure should be adopted, the committee have authorised a resolution to be reported, directing the Treasurer to sell the Bank Stock as the public exigency requires, or to make transfers to the public creditors if they prefer it.

If the revenue bills reported by the committee should fail to receive the sanction of the Legislature, the taxes must be raised to a large amount on the narrow basis now established. Else the honor of the Republic is gone. When that result occurs, the strength of private obligations will have begun to totter. The morality that will teach men to sanction fraud collectively, will blind them to the claims of individual, private, personal engagements. It is a nice discrimination, that can distinguish between justice that is sacred for an individual and that which is not equally sacred and binding for a nation. Force isthe swift pursuer of fraud. It does not require the exercise of deep forecast to perceive dangers to the harmony and peace of society, too serious to be disregarded, too solemn to be incurred, in the disavowal of State obligations. The committee do not perceive any real distinction in principle, between the disregard of a part, and the disavowal of the whole. And whilst it should regarded as the representative duty of some to oppose any inrease of taxation on the present basis, the evil consequences of a failure, in some form to provide the necessary means for an immediate and continued payment of the public demands, is fully perceived and appreciated by all.

The committee feel bound or respond to some of the objections urged against the income tax, as it is a measure of great moment to the State. By some it has been denominated a tax upon labour. This objection cannot obtain, when we consider the point at which the tax begins. It may not be here amiss to remark, that the modern writers on political economy concur in the opinion, that it is the most fair and equal tax which can be laid. In this region

of country, it cannot be regarded as a tax upon labour, when the minimum from which it proceeds is $500. Mere labour will not command more than $1.50 per day, unless in rare cases. It is therefore manifest, that the tax does not begin, even at the point where wages or the income of labour ceases. It takes a point something beyond the maximum of reward paid to labour. It is not imposed until some science or skill is exerted, to accomplish objects that mere labour is not equal to. If a tax were levied on labour, it would indeed be under a blind policy. Such a measure would limit the production of the nation, and thereby restrict the very means out of which taxes must be paid. But for the reasons stated, avoiding the imposition of a tax upon labor, the committee are not aware of any just rule of taxation which would burthen the income of the farmer derived from honest industry, and exempt a man in any other walk of life from the same exaction on the same income.

It is likewise objected, that the tax on the salaries of officers and the incomes of professional men is inconsistent with the provision in the bill of rights, which directs that each man shall contribute to the support of government, according to his worth in real and personal estate.

This objection was duly considered with reference to the provisions of the bill. It is conceded by those opposed to this tax, that the *income* may be taxed as personal property at the same rate at which the capital of a farmer or a merchant is taxed. Now the same instrument which requires the citizen to contribute according to his worth in real and personal estate, declares that all "taxes should be equal." The equality of imposing the same tax on a capital of ten thousand dollars and on an income of *ten thousand a year*, is not perceived, and probably cannot be shewn.

But dismissing this requirement of equality in taxes, the income tax cannot be shewn obnoxious to the other article recited from the bill of rights. All taxes are presumed to be taken from income. No government in this age would impose a tax, the effect of which was designed to reduce the capital of the citizen or subject; at least no government in a civilized land. The man whose income is gathered by daily toil, bestowed on a capital his industry has created, contributes from his income, his share in the support of government. From the same source the public demands are satisfied by him who draws his income from a patrimony, piously cherished and improved. What just reason will exempt the officer from the exaction of the government, because his income is the contribution of the other two? his income is the reward of labour—so is theirs. But it is urged, the office is not his property. To what purpose is it not his property? He enjoys all the profits with certainty. The seasons bring no chances that hazard his income. It is true "he sows not" but he is ever reaping. Nothing but the hand of his Maker, taking from him the life or reason it bestowed can interrupt the enjoyment of the profits of his office. But because the tenure by which offices are held will not admit of the transmission thereof to his heirs, it is

held to be not the property of the incumbent. So neither can tenants for life or years. They pay their tax on the valuation of the capital. It is true an office cannot be alienated, but the laws which forbade the alienation of conditional estates did not exempt the tenant from taxation. To all useful and beneficial purposes, for the time being, he has a property in the office as much as if it were his own estate. He enjoys the fruits, and it is right he should pay equal taxes for their enjoyment. It is a mere sophism on which a distinction in his favour can rest.

The principle upon which taxation is, at all, justified, is that he who pays, pays for the protection he has from government. The farmer is protected in his lands, his flocks and his herds: the attorney in his privilege, his fees, and the skill and knowledge to earn them: the physician in his drugs, his science, and his privilege; the officer in his salary, which is paid with unfailing certainty. They are all protected by the same shield, against the dangers of internal violence or foreign force. The worth of the protection is measured by the value of the income together with th the certainty of its receipt.

It is therefore believed no just reason can be urged to exemp the officer, which does not alike exempt all others; and to appeal to the bill of rights for such a doctrine, would be to surrender the whole system of taxation contemplated in the constitution. Such doctrine does violence to its principles, and would lead, if sustained, to the entire subversion of the government.

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